

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Calhoun County Board of Public Works	County Calhoun
Audit Date December 31, 2004	Opinion Date April 1, 2005	Date Accountant Report Submitted to State: June 24, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

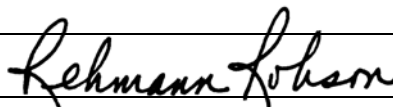
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

**BOARD OF PUBLIC WORKS
COUNTY OF CALHOUN,
MICHIGAN**

Basic Financial Statements

For The Year Ended December 31, 2004



REHMANN ROBSON

Certified Public Accountants

**BOARD OF PUBLIC WORKS
COUNTY OF CALHOUN, MICHIGAN**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
 BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004	
Statement of Net Assets and Governmental Funds Balance Sheet	3
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	4
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Governmental Funds Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	6
Notes to Basic Financial Statements	7-13
 COMBINING FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004	
Combining Balance Sheet – Nonmajor Governmental Funds	14
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	15
Combining Balance Sheet – Nonmajor Debt Service Funds	16-17
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Debt Service Funds	18-19
Combining Balance Sheet – Nonmajor Capital Projects Funds	20
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Capital Projects Funds	21
 INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	22-23



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

April 1, 2005

To the Board of Public Works
County of Calhoun
Marshall, Michigan

We have audited the accompanying financial statements of the government activities, each major fund and the aggregate remaining fund information of the ***Board of Public Works of the County of Calhoun, a component unit of Calhoun County***, as of and for the year ended December 31, 2004, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Board of Public Works of the County of Calhoun. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Board of Public Works of the County of Calhoun as of December 31, 2004, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2005, on our consideration of the Board of Public Work's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Department has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lobson". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

BASIC FINANCIAL STATEMENTS

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2004**

	Solid Waste	ECCSS # 4 Clarence Twp	City of Marshall #16	Emmet Township 2000	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS								
Cash and cash equivalents	\$ 534,681	\$ 314,971	\$ -	\$ -	\$ 11,807	\$ 861,459	\$ -	\$ 861,459
Accounts receivable	-	-	-	-	-	-	115,410	115,410
Lease receivable	-	-	-	-	-	-	13,355,000	13,355,000
Due from fund of another component unit	2,500	-	-	-	-	2,500	(2,500)	-
Due from other funds	-	-	-	-	60	60	(60)	-
Total assets	\$ 537,181	\$ 314,971	\$ -	\$ -	\$ 11,867	864,019	\$ 13,467,850	\$ 14,331,869
LIABILITIES								
Accounts payable	\$ 11,269	\$ -	\$ -	\$ -	\$ -	11,269	\$ 406,949	418,218
Accrued expenditures	-	-	-	-	-	-	112,910	112,910
Due to other funds	60	-	-	-	-	60	(60)	-
Due to other component unit	406,949	-	-	-	-	406,949	(406,949)	-
Long-term liabilities	-	-	-	-	-	-	-	-
Due within one year	-	-	-	-	-	-	730,000	730,000
Due after one year	-	-	-	-	-	-	12,625,000	12,625,000
Total liabilities	418,278	-	-	-	-	418,278	13,467,850	13,886,128
Fund Balance/Net Assets								
Fund balance								
Unreserved								
Undesignated	118,903	314,971	-	-	11,867	445,741	(445,741)	-
Total liabilities and fund balance	\$ 537,181	\$ 314,971	\$ -	\$ -	\$ 11,867	\$ 864,019		
Net Assets:								
Unrestricted							\$ 445,741	\$ 445,741

The accompanying notes are an integral part of these financial statements.

BOARD OF PUBLIC WORKS
CALHOUN COUNTY
Reconciliation of Governmental Fund Balance Sheet
to Statement of Net Assets

DECEMBER 31, 2004

Fund balances - Governmental Funds	\$ 445,741
------------------------------------	------------

Amounts reported for *governmental activities* in the statement of net assets are different because:

Long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. Bonds payable and interest of various municipalities are to be repaid by the municipality

Lease receivable	13,355,000
Accounts receivable for accrued interest	115,410

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	(13,355,000)
---------------	--------------

Certain liabilities, such as accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

Deduct - accrued interest payable	<u>(115,410)</u>
-----------------------------------	------------------

Net assets of governmental activities	<u><u>\$ 445,741</u></u>
---------------------------------------	--------------------------

The accompanying notes are an integral part of these financial statements.

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Solid Waste	ECCSS # 4 Clarence Twp	City of Marshall #16	Emmet Township 2000	Nonmajor funds	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES								
Current:								
Public works	\$ 402,670	\$ 20,000	\$ -	\$ -	\$ -	\$ 422,670	\$ -	\$ 422,670
Debt service:								-
Principal	-	35,000	145,000	150,000	621,000	951,000	(710,000)	241,000
Interest	-	24,750	147,896	164,288	541,979	878,913	-	878,913
TOTAL EXPENDITURES/ EXPENSES	<u>402,670</u>	<u>79,750</u>	<u>292,896</u>	<u>314,288</u>	<u>1,162,979</u>	<u>2,252,583</u>	<u>(710,000)</u>	<u>1,542,583</u>
PROGRAM REVENUES								
Charges for services	13,975	59,750	-	-	-	73,725	-	73,725
Operating grants and contributions	173,437	332,750	292,896	314,288	1,162,979	2,276,350	(710,000)	1,566,350
TOTAL PROGRAM REVENUES	<u>187,412</u>	<u>392,500</u>	<u>292,896</u>	<u>314,288</u>	<u>1,162,979</u>	<u>2,350,075</u>	<u>(710,000)</u>	<u>1,640,075</u>
NET PROGRAM EXPENSES								97,492
GENERAL REVENUES								
Interest revenue	7,678	2,221	-	-	106	10,005	-	10,005
NET CHANGE IN FUND BALANCES	(207,580)	314,971	-	-	106	107,497	(107,497)	
CHANGES IN NET ASSETS								107,497
FUND BALANCE/NET ASSETS, Beginning of year	<u>326,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,761</u>	<u>338,244</u>	<u>-</u>	<u>338,244</u>
FUND BALANCE/NET ASSETS, End of year	<u>\$ 118,903</u>	<u>\$ 314,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,867</u>	<u>\$ 445,741</u>	<u>\$ -</u>	<u>\$ 445,741</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF PUBLIC WORKS
CALHOUN COUNTY
Reconciliation of the Governmental Fund Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - Governmental Funds	\$ 107,497
--	------------

Amounts reported for *governmental activities* in the statement of activities
are different because:

Repayment of debt principal is an expenditure in the funds but not in the statement
of activities:

Bond payments	710,000
---------------	---------

Governmental funds report payments received by other municipalities for principal debt service as revenue, but the statement of activities does not	<u>(710,000)</u>
--	------------------

Change in net assets of governmental activities	<u><u>\$ 107,497</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – These financial statements represent the financial position and the results of operations of the public works projects managed and administered by the Calhoun County Board of Public Works (BPW). These projects are considered to be a discretely presented component unit of Calhoun County (the “County” or “primary government”) and are an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the BPW uses an alternative approach reserved for single program governments to present combined component-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to component-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The component-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the BPW considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

Notes To Basic Financial Statements

Intergovernmental charges and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received.

The government reports the following major governmental funds:

The Clarence Township ECCSS#4 fund accounts for solid waste activities and the accumulation of resources for, and the payment of, interest and principal on bonded debt.

The solid waste capital projects fund accounts for solid waste activities in Calhoun County.

The City of Marshall #16 and Emmet Township 2000 are debt service funds, which account for the accumulation of resources for, and for the payment of, interest and principal on bonded debt of those municipalities.

Additionally, the BPW reports the following as non-major governmental funds:

Debt service funds account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

Capital projects funds account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings and water and sewer systems.

As a general rule the effect of interfund activity has been eliminated from the component-wide financial statements.

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

Notes To Basic Financial Statements

Long-term Obligations – In the component-wide financial statements, long-term debt is reported as a liability. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At December 31, 2004, there were no reservations of fund balance.

2. CASH AND POOLED INVESTMENTS

At December 31, 2004, the amount of the BPW's deposits were as follows:

	Carrying Amount	Bank Balance
Insured	\$ 399	\$ 376
Held by Calhoun County *		
Pooled Cash	428,853	490,215
Certificates of deposit	432,207	432,207
	\$ 861,459	\$ 922,798

*Deposits of the BPW held by Calhoun County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the BPW.

The BPW is authorized to invest to the same types of investments as authorized for the County.

BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

Notes To Basic Financial Statements

3. LEASES RECEIVABLE

The BPW has entered into various lease agreements with local governments to issue bonded debt and to manage the construction of water and sewer systems in those jurisdictions. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the particular local governments.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the BPW's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessees to use, operate and maintain the systems, at their own expense, subject to the terms and conditions of the agreements.

4. LONG-TERM DEBT

General obligation bonds are issued by the County to finance construction projects managed and administered by the BPW. These bonds are direct obligations, and pledge the full faith and credit, of the County and the associated municipalities and authorities.

The following are significant details regarding the bond issues that are outstanding at December 31, 2004:

On November 3, 1997, the County of Calhoun issued \$3,215,000 in Limited Tax General Obligation Refunding Bonds (City of Marshall Water Supply System) to advance refund \$3,000,000 of outstanding 1994 Series Unlimited Tax General Obligation Bonds. This debt is due in annual installments of \$20,000 to \$220,000 through May 1, 2019, with interest ranging from 4.25% to 5.75%, payable semi-annually. The balance of the defeased bonds outstanding was \$2,550,000 at December 31, 2004.

BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

Notes To Basic Financial Statements

\$3,044,606 Michigan Municipal Bond Authority (Bedford Township) 1990 Limited Tax General Obligation Bonds, dated August 28, 1990, due in annual installments of \$135,000 to \$175,000 through October 1, 2010, with interest of 2% payable semi-annually.

\$1,559,032 Michigan Municipal Bond Authority (Fredonia Township) 1991 Limited Tax General Obligation Bonds, dated September 26, 1991, due in annual installments of \$75,000 to \$100,000 through April 1, 2011, with interest payable semi-annually.

\$381,668 Michigan Municipal Bond Authority (Sheridan Township) 1992 Limited Tax General Obligation Bonds, dated September 24, 1992, due in annual installments of \$15,000 to \$25,000 through April 1, 2012, with interest payable semi-annually.

\$1,480,000 Calhoun County Water Supply System Bonds (City of Marshall) 1996 Limited Tax General Obligation Bonds, dated June 25, 1996, due in annual installments of \$15,000 to \$165,000 through May 1, 2016 with interest ranging from 4.75% to 5.75%, payable semi-annually.

\$2,340,000 Calhoun County Water Supply System Bonds (Charter Township of Pennfield) 1997 Limited Tax General Obligation Bonds dated November 19, 1997, due in annual installments of \$25,000 to \$125,000 through May 1, 2032 with interest ranging from 4.25% to 6% payable semi-annually.

\$2,225,000 Calhoun County Sewer Disposal System Bonds (City of Marshall) 1999 Limited Tax General Obligation Bonds dated September 1, 1999, due in annual installments of \$5,000 to \$220,000 through May, 2020, with interest ranging from 5.125% to 5.2% payable semi-annually.

BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

Notes To Basic Financial Statements

Annual debt service requirements to maturity for general obligation bonds, including interest payments are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 730,000	\$ 503,118
2006	735,000	478,290
2007	765,000	452,743
2008	790,000	426,222
2009	805,000	398,651
2010-2014	3,860,000	1,519,341
2015-2019	3,845,000	696,235
2020-2024	900,000	177,391
2025-2029	550,000	94,972
2030-2032	375,000	19,500
	<u>\$ 13,355,000</u>	<u>\$ 4,766,464</u>

Long-term liability activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds payable	<u>\$ 14,065,000</u>	<u>\$ -</u>	<u>\$ 710,000</u>	<u>\$ 13,355,000</u>	<u>\$ 730,000</u>

The bonds described above do not include bonds payable as of December 31, 2004, for Water Supply and Sewage Disposal System Projects, issued in conjunction with the County, that are not general obligations of the County. These bonds are payable solely from the proceeds of contractual payments to be paid by the municipalities in accordance with contractual agreements. Principal and interest payments for this indebtedness was \$241,000 and \$212,399, respectively, for the year ended December 31, 2004.

**BOARD OF PUBLIC WORKS
COUNTY OF CALHOUN, MICHIGAN**

Notes To Basic Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2004, interfund receivables and payables were as follows:

	<u>Due From</u>	<u>Due To</u>
CCWP 16 Marshall City Capital Project	\$ 60	\$ -
Municipal solid waste	<u>-</u>	<u>60</u>
	<u>\$ 60</u>	<u>\$ 60</u>

The BPW has interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

* * * * *

COMBINING FINANCIAL STATEMENTS

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

<u>ASSETS</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ -	\$ 11,807	\$ 11,807
Due from other funds	-	60	60
	<hr/>	<hr/>	<hr/>
 <u>TOTAL ASSETS</u>	 <u><u>\$ -</u></u>	 <u><u>\$ 11,867</u></u>	 <u><u>\$ 11,867</u></u>
 <u>FUND BALANCE</u>			
Fund balance			
Unreserved, undesignated	\$ -	\$ 11,867	\$ 11,867
	<hr/>	<hr/>	<hr/>

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Debt Service	Capital Projects	Totals
Revenue			
Intergovernmental revenue	\$ 1,162,979	\$ -	\$ 1,162,979
Interest	-	106	106
	<hr/>	<hr/>	<hr/>
Total revenue	1,162,979	106	1,163,085
	<hr/>	<hr/>	<hr/>
Expenditures			
Debt service:			
Principal retirement	621,000	-	621,000
Interest and fiscal charges	541,979	-	541,979
	<hr/>	<hr/>	<hr/>
Total expenditures	1,162,979	-	1,162,979
	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	106	106
Fund balance, beginning of year	-	11,761	11,761
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ -	\$ 11,867	\$ 11,867
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET**

DECEMBER 31, 2004

	Homer Village #5	Pennfield/ Convis #2B	Emmet Township #1	Pennfield Township #6	Athens Village #1	Bedford Township #2C
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES						
Unreserved - undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Fredonia Township #12	Sherdian Township # 13	City of Marshall	Pennfield Township 1997	City of Marshall 1999	Teskonsha Library 2001	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
------	------	------	------	------	------	------

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2004

	Homer Village #5	Pennfield/ Convis #2B	Emmet Township #1	Pennfield Township #6	Athens Village #1	Bedford Township #2C
Revenue						
Intergovernmental revenue	\$ 66,400	\$ 125,625	\$ 116,825	\$ 66,000	\$ 16,950	\$ 183,400
Total revenue	66,400	125,625	116,825	66,000	16,950	183,400
Expenditures						
Principal retirement	40,000	75,000	50,000	30,000	11,000	160,000
Interest and fiscal charges	26,400	50,625	66,825	36,000	5,950	23,400
Total expenditures	66,400	125,625	116,825	66,000	16,950	183,400
Net change in fund balances	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Fredonia Township #12	Sherdian Township # 13	City of Marshall	Pennfield Township 1997	City of Marshall 1999	Teskonsha Library 2001	Total
\$ 98,950	\$ 23,800	\$ 123,445	\$ 150,594	\$ 169,728	\$ 21,262	\$ 1,162,979
98,950	23,800	123,445	150,594	169,728	21,262	1,162,979
85,000	20,000	55,000	30,000	55,000	10,000	621,000
13,950	3,800	68,445	120,594	114,728	11,262	541,979
98,950	23,800	123,445	150,594	169,728	21,262	1,162,979
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

DECEMBER 31, 2004

	CCWP 16			
	EMMETT	MARSHALL	MARSHALL	
<u>ASSETS</u>	TOWNSHIP	CITY	CITY	TOTAL
ASSETS				
Cash and cash equivalents	\$ 1,126	\$ -	\$ 10,681	\$ 11,807
Due from other funds	-	60	-	60
	<u>\$ 1,126</u>	<u>\$ 60</u>	<u>\$ 10,681</u>	<u>\$ 11,867</u>
<u>FUND BALANCES</u>				
FUND BALANCES				
Unreserved - Designated for capital projects	<u>\$ 1,126</u>	<u>\$ 60</u>	<u>\$ 10,681</u>	<u>\$ 11,867</u>

**BOARD OF PUBLIC WORKS
CALHOUN COUNTY
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2004

	CCWP 16			
	EMMETT TOWNSHIP	MARSHALL CITY	MARSHALL CITY	TOTAL
REVENUE				
Interest	\$ 10	\$ -	\$ 96	\$ 106
EXPENDITURES				
Capital outlay:				
Construction and engineering	-	-	-	-
NET CHANGE IN FUND BALANCES	10	-	96	106
FUND BALANCES, Beginning of year	1,116	60	10,585	11,761
FUND BALANCES, End of year	<u>\$ 1,126</u>	<u>\$ 60</u>	<u>\$ 10,681</u>	<u>\$ 11,867</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

April 1, 2005

To the Board of Public Works
County of Calhoun, Michigan
Marshall, Michigan

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Board of Public Works of the County of Calhoun, a component unit of Calhoun County, as of and for the year ended December 31, 2004, which collectively comprise the Board of Public Work's basic financial statements, as listed in the table of contents, and have issued our report thereon dated April 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Public Work's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Public Work's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Public Works, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.